

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 IO-13 NRC-05 DOTE-00 FRB-03 XMB-02 OPIC-03

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R 141055Z OCT 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 9559

INFO AMEMBASSY PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 10362

E.O. 11652: GDS

TAGS: PFOR, EEC, FR, IR

SUBJ: FRENCH EMBASSY VIEW ON GISCARD VISIT TO IRAN--AND COMMENT

REF: TEHRAN 10151

SUMMARY. FRENCH EMBASSY CHARGE DESCRIBES VISIT AS HIGHLY SUCCESSFUL IN TERMS GOOD RELATIONSHIP ADVANCED BETWEEN TWO HEADS OF STATE, AGREEMENT TO HOLD REGULAR TALKS BETWEEN TWO HEADS OF STATE, AGREEMENT TO HOLD REGULAR TALKS BETWEEN FOREIGN MINISTRIES, AND PROGRESS MADE ON A NUMBER OF ECONOMIC-COMMERCIAL PROJECTS. OTHERS IN FRENCH EMBASSY AND AROUND TOWN CAST MORE BALEFUL EYE ON PUBLIC RELATIONS ACCOMPANYING VISIT AND POINT TO LARGE NUMBER OF PROJECTS WHICH REPRESENT NO MORE THAN STATEMENT OF PRESENT INTENTIONS REQUIRING GREAT DEAL OF HARD WORK TO FLESH OUT IN FUTURE, IF AT ALL. HIGHLIGHTS OF CONCLUDED PROJECTS ARE IN FIELDS SUCH AS NUCLEAR POWER(AGREEMENT IN ADVANCED STAGES ON  
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TWO REACTORS, WITH SIX MORE MENTIONED AS FUTURE POSSIBILITIES),

RAIL LINE FROM BANDAR SHAHPUR NORTH, ETC. ALSO, FRENCH SPECIFICALLY DROPPED THEIR OBJECTIONS TO FORWARD MOVEMENT ON FRAMEWORK AGREEMENT SETTING UP IRAN'S RELATIONSHIP TO EEC. ON THE WHOLE, WE BELIEVE MEETING REPRESENTED GENUINE ADVANCE IN RELATIONS BETWEEN TWO COUNTRIES AND ANNOUNCED PROJECTS ARE EXPRESSIONS OF GENUINE INTENT BY CHIEFS OF STATE. GRANDIOSE AS SOME MAY SOUND, PROJECTS SERVE AT LEAST TWO PURPOSES FROM IRAN'S POINT OF VIEW: (A) THEY INTEREST MORE WESTERN COUNTRIES IN FUTURE STABILITY OF IRAN'S PRESENT GOVERNMENT AND (B) THEY SET ADDITIONAL GUIDELINES FOR SHAH'S HEIRS TO FOLLOW IN FUTURE DEVELOPMENT OF COUNTRY. END SUMMARY.

1. ON OCTOBER 12 FRENCH EMBASSY FIRST COUNSELOR DE SEDOUY GAVE POLCOUNS FOLLOWING RECAP OF FRENCH PRESIDENT'S VISIT TO IRAN, OCTOBER 4 TO 7. (DE SEDOUY TOOK OVER AS CHARGE D'AFFAIRES FOR THE VISIT WHEN AMBASSADOR DE SOUZA WENT TO BED WITH HEPATITIS THREE DAYS BEFORE GISCARD'S ARRIVAL.) SEVERAL MEETINGS BETWEEN THE TWO CHIEFS OF STATE WERE TETE-A-TETE AND ACCOUNTS WERE NOT PROVIDED FRNCH EMBASSY. THEREFORE FOLLOWING ACCOUNT IS PRIMARILY BASED ON CHARGE'S PARTICIPATION IN LARGER MEETINGS AND CORRIDOR CONVERSATIONS. IT ALSO REFLECTS EMBASSY'S CONTACTS WITH OTHER FRENCH EMBASSY OFFICERS AS WELL AS OTHER EEC MISSIONS.

2. NUCLEAR REACTORS: PROGRESS WAS MADE ON PRICE QUESTION, WITH ACCORD REACHED ON THE METHODOLOGY OF DETERMINING THE PRICE FOR THE TWO 950 MEGAWATT REACTORS THAT FRENCH WILL BUILD. FRENCH THINK AGREEMENT ON PRICE WILL BE REACHED BY END OF THE YEAR. AGREEMENT ON SITES ALSO REACHED. (DE SEDOUY COMMENTED THAT GERMANS APPEAR TO HAVE DONE BETTER THAN FRENCH ON PRICE, SINCE HE THOUGHT THEY WERE GETTING VERY GOOD MONEY FOR THEIR REACTORS, WHICH ADMITTEDLY ARE LARGER THAN THE FRENCH.) AS TO ADDITIONAL SIX FRENCH REACTORS, STATE OF PLAY CAN BE DESCRIBED AS STATEMENT OF INTENT BY CHIEFS OF STATE. HOW THESE ARE TO BE PRODUCED STILL REMAINS TO BE WORKED OUT, SINCE THEY MUST BE FITTED INTO OVERALL FRENCH PRODUCTION SCHEDULE, WHICH INCLUDES NUCLEAR REACTORS FOR METROPOLITAN FRANCE ITSELF. STILL, SHAH HAD SEVERAL TIMES

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MENTIONED HIS GOAL OF 23,000 MEGAWATTS OF NUCLEAR POWER IN IRAN BY 1993.(COMMENT: BY STRESSING LONG GESTATION PERIOD REQUIRED FOR EVERY NUCLEAR REACTOR, DE SEDOUY WAS IMPLYING THERE MAY BE SOME PROBLEMS IN MEETING APPARENT INTENT EXPRESSED BY TWO CHIEFS OF STATE. ONE SUBORDINATE FRENCH EMBASSY SOURCE DESCRIBED THESE ADDITIONAL REACTORS AS "WISHFUL THINKING" AT THIS STAGE.)

3. EEC POLICY: FRENCH REPEATED TO IRANIANS THAT THEY THEMSELVES HAD HELD OUT FOR PREFERENTIAL AGREEMENT FOR IRAN. IN VIEW OF ATTITUDE OF FRANCE'S EEC PARTNERS ON THIS QUESTION, HOWEVER, AND THE PROPOSALS WORKED OUT BY EEC COMMISSION, TO WHICH IRAN DOES NOT APPEAR TO OBJECT, FRANCE HAS WITHDRAWN ITS RESERVATION TO THE COMMISSION'S PROPOSALS, WHICH TAKE INTO ACCOUNT IRAN'S SPECIAL INTERSTS. DE SEDOUY SAID FRENCH HAD SIMULTANEOUSLY NOTIFIED EEC COMMISSION IN BRUSSELS OF THIS POSITION SPECIFYING THAT FRANCE IS WITHDRAWING ITS RESERVATION ON THE PRINCIPLE OF A FRAMEWORK AGREEMENT FOR ECONOMIC AND COMMERCIAL COOPERATION WITH IRAN BUT IS MAINTAINING TWO OPERATIONAL RESERVATIONS: FIRST, FRENCH WISH TO GO OVER THE LIST OF COMMODITIES INVOLVED, AND SECOND, FRENCH WISH TO SEE MECHANISM UTILIZED WHICH IS AUTONOMOUS AND NOT CONTRACTUAL IN CHARACTER SO AS TO KEEP IN LINE WITH EEC SYSTEM OF GENERAL PREFERENCES. (DE SEDOUY SAID GISCARD HAD REPEATED FRENCH POSITION IN TWO MEETINGS SO AS TO BE SURE SHAH AND IRANIANS UNDERSTOOD IT.) DE SEDOUY WISHED TO AVOID CALLING THIS ARRANGEMENT "PRIVILEGED" SINCE THAT SMACKED OF PREFERENTIAL ARRANGEMENT. HE NOTED IN PASSING THAT EEC PARTNERS HAD SHRUNK FROM PREFERENTIAL TREATMENT OF IRAN PRIMARILY BECAUSE OF USG OBJECTIONS, BUT EXPRESSED PERSONAL DOUBTS AS TO HOW BRUSSELS' PROPOSALS REGARDING IRAN COULD BE WORKED OUT IN PRACTICE SO AS TO STILL BE WITHIN EEC'S SYSTEM OF GENERAL PREFERENCES, AS FRENCH WERE REQUIRING. NEVERTHELESS, REACTION OF LOCAL BRITISH AND GERMAN EMBOFFS TO NEW FRENCH POSITION IS HIGHLY FAVORABLE.)

4. DE SEDOUY CLARIFIED NATURE OF DISCUSSION INVOLVING RAILROAD PROJECT. AGREEMENT IN PRINCIPLE IS FOR FRENCH STUDY OF LAYING SECOND TRACK ALONG LINE FROM BANDAR SHAHPUR TO TEHRAN, AND ACCOMPANYING ELECTRIFICATION. SPECIFIC CONFIDENTIAL

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AGREEMENT WAS SIGNED BY FRENCH TO BUILD FIRST SECTION OF RAIL LINE FROM BANDAR SHAHPUR TO AHWAZ, SOME 150 MILES OF TRACK, A DEAL WHICH HE SAID AMOUNTS TO SOME TWO BILLION FRENCH FRANCS.

5. OIL: DE SEDOUY SAID HE UNAWARE THAT OIL HAD BEEN DISCUSSED IN ANY SPECIFIC WAY. FRENCH IMPORTS FOR 1976 ARE EXPECTED TO RUN TO SOMETHING UNDER 15 MILLION TONS (THE FIGURE GISCARD USED IN PRESS CONFERENCE), BUT DE SEDOUY KNEW NOTHING ABOUT ANY IRANIAN GUARANTEE FROM FRANCE ON BUYING A CERTAIN VOLUME ANNUALLY. HE DID SAY THAT GISCARD RESPONDED TO A QUESTION BY POINTING OUT FRENCH COULD SHIFT SOURCE OF THIER OIL SUPPLY SO AS TO ACCOMMODATE LARGER SUPPLY IMPORTS FROM IRAN WITHIN SELF-IMPOSED FRENCH GOVERNMENT LIMIT OF 50 BILLION FRANCS A YEAR. (IN TOUCHING

ON OIL SWAP POSSIBILITIES, WHICH DE SEDOUY SAID HAD NOT BEEN SPECIFICALLY DISCUSSED, HE SUGGESTED SUCH AN ARRANGEMENT WOULD BE MOVING VERY CLOSE TO INDEXATION OF OIL PRICES SINCE HE CANNOT CONCEIVE OF WESTERN ARMAMENTS MANUFACTURERS SETTING A FIRM PRICE FOR FUTURE DELIVERIES IN ADVANCE. A FLEXIBLE PRICE FOR ARMS EXPORTS WOULD ENCOURAGE RELATED FLEXIBILITY IN OIL PRICE TO PAY FOR THEM.)

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6. OTHER PROJECTS: OUR SOURCES CONFIRM NUMBER OF OTHER PROJECTS DISCUSSED. THESE INCLUDE TWO 370 MEGAWATT GENERATORS AT TABRIZ, ON WHICH CONTRACT EXPECTED TO BE SIGNED WITHIN WEEKS. FRENCH PARTICIPATION ON 50-50 BASIS WITH U.S. FIRM MORRISON-KNUDSEN ON HIGHWAY FROM GOM TO BANDAR SHAPUR IS VIRTUALLY CERTAIN, APPROXIMATE VALUE THREE BILLION FRENCH FRANCS. DISCUSSIONS ON PEUGEOT AUTOMOBILE PLANT, WHICH WOULD INVOLVE DEVELOPMENT OF NEW FOUR-CYLINDER MODEL, SEEM STILL IN EARLY STAGES. FRENCH ARE ALSO DOING STUDIES OF FINANCIAL FEASIBILITY EUROPEAN AIRBUS FOR DISTANCES OF 1,000-1,200 MILES IN WHICH IRAN INTERESTED

(THIS SUGGESTING CONTINUING IRANIAN RESERVATIONS ABOUT EXERCISING THEIR EXISTING OPTIONS ON CONCORDE). APPARENTLY NOT DISCUSSED BUT STILL PENDING, FROM 1974, IS STEEL ALLOY MILL PROJECT (120,000-250,000 TON CAPACITY) AT AHWAZ, HELD UP DUE TO FINANCIAL AND MARKET DIFFICULTIES.

7. POLITICAL QUESTIONS: DE SEDOUY SAID THE CHIEFS OF STATE  
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HAD GOTTEN ALONG VERY WELL INDEED. SHAH FREQUENTLY REFERRED BACK TO DE GAULLE, WHO REMAINED A PROTOTYPE OF FRENCH PRESIDENT FOR HIM AND SEEMS TO HAVE LEFT PERMANENT, FAVORABLE IMPRESSION REGARDING FRANCE. DE SEDOUY SAID WE SHOULD NOT UNDERESTIMATE IMPORTANCE OF AGREEMENT TO HAVE REGULAR EXCHANGES ON POLITICAL QUESTIONS. MEETINGS ARE TO TAKE PLACE ONCE A YEAR BETWEEN FOREIGN MINISTRY POLITICAL DIRECTORS, ALTERNATING BETWEEN PARIS AND TEHRAN. IN ADDITION, TWO MINISTERS OF FOREIGN AFFAIRS WILL MEET AT UNGA OR ELSEWHERE AS OCCASION PERMITS.(COMMENTS: DE SEDOUY SEEMED TO BE MAKING A GOOD DEAL OF THIS POINT, PERHAPS TO MAKE UP FOR SOME OF THE INDEFINITENESS IN THE ECONOMIC RESULTS OF THE VISIT.)

8. COMMENT: VISIT CAN BE VIEWED ON SEVERAL PLANES AND THROUGH OPTIMISTIC OR PESSIMISTIC GLASSES, DEPENDING ON WHETHER ONE CONCENTRATES ON PROJECTS DISCUSSED IN PRINCIPLE, OR ON THE DETAILS OF THOS PROJECTS WHERE AGREEMENT WAS NOT REACHED. IT SEEMS CLEAR THAT THE TWO CHIEFS OF STATE HAD GENUINELY SATISFACTORY DISCUSSIONS ON ECONOMIC AS WELL AS POLITICAL MATTERS AND GENUINELY EXPRESSED INTENT TO DO BUSINESS WITH EACH OTHER ON AN INCREASING SCALE. FROM FRENCH POINT OF VIEW, GISCARD OBVIOUSLY ATTACHED IMPORTANCE TO THE VISIT SINCE HE TORE HIMSELF AWAY FROM PRESSING DOMESTIC AND FOREIGN PROBLEMS IN PARIS. AS IS USUAL WITH FRENCH EFFORTS IN THIS PART OF THW WORLD, POLITICAL AND CULTURAL DISCUSSIONS ARE INTENDED TO ASSIST GREATER ECONOMIC/COMMERCIAL ACTIVITY. ANNOUNCEMENT OF MAJOR PROJECTS WAS A SINE QUA NON OF VISIT SINCE MAJOR PROJECTS WERE ANNOUNCED FOLLOWING SHAH'S VISIT TO FRANCE IN 1974. MANY OF THESE PROJECTS ARE STILL GLEAMS IN THE EYES OF THEIR AUTHORS. OFFICIALS ENTRUSTED WITH WORKING OUT FINANCIAL AND OTHER DETAILS ARE OBVIOUSLY GOING TO BE WRESTLING WITH SOME MAJOR DIFFICULTIES FOR A LONG TIME TO COME. HOWEVER, FROM SHAH'S POINT OF VIEW ANNOUNCEMENT OF PROJECTS INTENDED TO BE ACCOMPLISHED OVER NEXT 10, 20, OR MORE YEARS HAS AT LEAST TWO BENEFITS: (A) IT TENDS TO WED ADDITIONAL IMPORTANT WESTERN GOVERNMENT TO IRAN'S FUTURE, PARTICULARLY THE FUTURE OF THE PRESENT GOVERNMENT OF IRAN, ON THE BASIS OF AN INCREASING MUTUALITY OF INTERESTS AND (B) IT TENDS TO SET OUT THE LINES

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OF IRANIAN POLICY FOR MANY YEARS TO COME IN A WAY THAT  
WILL BE EASIER FOR THE SHAH'S HEIRS TO FOLLOW AFTER HIM.  
THERE ARE MANY IN TEHRAN (FOREIGN OBSERVERS AS WELL AS  
IRANIANS) WHO DENIGRATE RESULTS ANNOUNCED FROM VISIT  
BECAUSE OF LACK OF SPECIFIC UNDERTAKINGS. WE SHOULD NOT  
LOSE SIGHT OF THE FACT, HOWEVER, THAT THE SHAH HAS PROVED  
EXCEEDINGLY CONSISTENT IN HIS POLICIES TO DATE, AND  
SINCERE EFFORTS WILL NO DUBT BE MADE--AT LEAST ON THE  
IRANIAN SIDE--TO BRING THOSE ANNOUNCED PROJECTS  
TO SPECIFIC FRUITION AS LONG AS THE SHAH REMAINS HAPPY  
WITH HIS FRENCH CONNECTION.  
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